

Vietnam Emerging Capital Limited

ABN 69 123 981 537

Financial Statements

30 June 2009

Company Particulars

Vietnam Emerging Capital Limited

Directors	Jack Tan <i>Chairman</i>
	Lawrence Nguyen <i>Managing Director & CEO</i>
	Minh Hai Nguyen <i>Non-executive Director</i>
Secretary	Robert Lees
Registered Office	Level 28, St Martins Tower 31 Market Street Sydney NSW 2000 Tel (02) 9267 4633 Fax (02) 9267 4388
Auditors	Hall Chadwick Level 29 31 Market Street Sydney NSW 2000
Solicitors	O'Loughlins Lawyers Level 2, 99 Frome Street Adelaide SA 5000
Share Register	Registries Limited Level 7, 207 Kent Street Sydney NSW 2000
Stock Exchange Listing	Vietnam Emerging Capital Limited securities are listed on the National Stock Exchange (NSX) – Code 'VEM'

Vietnam Emerging Capital Limited

A.B.N. 69 123 981 537

Directors' Report – 30 June 2009

Your directors present their report being the company Vietnam Emerging Capital Limited ("VECL") for the financial year ended 30 June 2009.

Directors

The names of persons who were directors of Vietnam Emerging Capital Limited NSX code "VEM" during the whole of the year and up to the date of this report are:

Jack Tan M. App Fin. F. Fin
Minh Hai Nguyen B. Sc. M. Sc.

Lawrence Nguyen B. Pharm. MAICD
James Huey B. Sc. FAICD F. Fin (resigned 14 November 2008)

Directors have been in office since the start of the year to the date of this report unless otherwise stated.

Principal Activities

The principal activity of the Company during the year was as an investment company raising capital to invest in listed and unlisted Vietnamese securities, including equity investment in property development companies.

Operating Results

The loss of the entity after providing for income tax amounted to (\$189,426), (2008: \$926,437).

Dividends – Vietnam Emerging Capital Limited

No dividends were paid or recommended for payment during or since the end of the financial year.

Review of Operations

Comments on the operations and the results of those operations for the year ended 30 June 2009 are set out below:

- From the initial investment of \$54,798 made in 2008 for a 20% holding in the Lac Trung IT Park Building Project, a stage 2 payment of \$30,737 was made in April 2009 and an additional 20% (making our total holding 40%) was acquired on June 2009 for the payment of \$55,074. The total cost at 30 June 2009 is \$140,609.
- Securities listed on the Vietnam Stock Exchange with an initial purchase cost of \$243,469 (2008:\$182,012) have been written down to market valuation of \$201,563 (2008: \$92,027) at 30 June 2009.

Significant Changes in the State of Affairs

No Significant changes in the state of affairs of the entity have occurred during the financial year.

After balance date events.

There have been no other subsequent events that would have a material impact on the financial report for the year ended 30 June 2009.

Future Developments, Prospects and Business Strategies

Disclosure of additional information regarding likely developments in the operations and expected results is likely to result in unreasonable prejudice to the entity.

Environmental Regulations

The entity's operations are in Vietnam and consist of investments in listed & unlisted companies. All environmental issues are the responsibility of these entities.

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Directors' Report – 30 June 2009 (continued)

Shares under Options

At the date of this report the unissued ordinary shares of Vietnam Emerging Capital Limited are as follow:

Expiry Date	Exercise price	Number under option
30 June 2010	\$0.25	17,818,557

No option holder has any right under the options to participate in any other share issue of the company.

Information on Directors:

- Jack Tan

Executive Director and Chairman.

Experience & expertise

Appointed Chairman on 16 February 2007. He has a Bachelor of Business Administration from University of Singapore (1973), and a Master of Applied Finance from Macquarie University (1995). He is a Fellow of the Financial Services Institute of Australasia and Member of the Australian Institute of Company Directors. Jack Tan is an investment banker with 30 years experience in the finance industry and has been an investment adviser with various stockbroking firms in Sydney. Jack has been instrumental in project acquisitions, evaluations and valuations and capital raisings including several public offerings and ASX listings.

Other current directorships

e-pay Asia Limited, Oracobe Limited

Former directorships in last 3 years

Health Corporation Limited, Rocklands Richfield Limited

Special responsibilities

Chairman

Interest in Shares & Options

1,082,744 ordinary shares in Vietnam Emerging Capital Limited and options to acquire a further 4,723,371 ordinary shares

- Lawrence Nguyen

Managing Director & CEO

Experience & expertise

Appointed a director on 16 February 2007. Lawrence has a Bachelor of Pharmacy from Sydney University (1996) and is currently completing his Masters of Pharmacy (Clinical). He has extensive pharmacy management and ownership experience, beginning with WH Soul Pattison group as a recipient of one of their coveted scholarships.

Lawrence currently has an interest in 10 pharmacies. He is a Member of The Australian Institute of Company Directors (MAICD) and is currently completing his Fellowship. He has management and corporate experience as a director of the public listed company. He is an active member of the Young Entrepreneur Organisation (EO) in Sydney, Australia. He has extensive knowledge of the Vietnamese economy and speaks Vietnamese fluently.

Other current directorships

None

Former directorships in last 3 years

Health Corporation Limited

Special responsibilities

Managing Director

Interest in Shares & Options

2,264,743 ordinary shares in Vietnam Emerging Capital Limited and options to acquire a further 4,723,371 ordinary shares

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Directors' Report – 30 June 2009 (continued)

Information on Directors (continued):

- Minh Hai Nguyen

Non-Executive Director

Experience & expertise

Appointed a director on 16 February 2007. Minh has a Bachelor's degree from The University of Natural Sciences, Ho Chi Minh city (VNUHCM) (1980), a Bachelor's degree from The University of Economics, Ho Chi Minh city (UEH) (1994) and a Master of Environment from The University of Social Sciences and Humanity, HCM city (USSH) (2002). He is currently completing a PhD Thesis in Environmental Economics. He has over 18 years experience in management and operations of major trading and investment finance companies and is currently the CEO of Saigon Company Trading and Tourist Services, Lac Hong Informatics – Services & Saigon Long An Infrastructure Investment Construction Trading Joint Stock Company.

Other current directorships

None

Former directorships in last 3 years

None

Special responsibilities

Local representative

Interest in Shares & Options

2,264,744 ordinary shares in Vietnam Emerging Capital Limited and options to acquire a further 4,723,371 ordinary shares

- James Huey

Non-executive Director

Experience & expertise

Appointed a director on 10 October 2007 and resigned on 14 November 2008. James has a B.Sc. (Honours – Financial Services) degree from the University of Manchester (UK).

For over 30 years he carried out a variety of functional roles in Australia and offshore, for the Westpac Banking Corporation group. His ultimate role at Westpac was as General Manager for New South Wales, leading a business unit with over 10,000 employees. For the past 13 years, he has been a professional non-Executive Director and corporate adviser.

Professionally, he is a Fellow of the Australian Institute of Company Directors, a Fellow of the Australian Institute of Management, a Fellow of the Financial Services Institute of Australasia, and a Fellow of the Chartered Institute of Bankers (U.K.). In other technical streams, he is a Fellow of the Institute of Company Secretaries, a Professional Member of the National Institute of Accountants, a Chartered Member of the Australian Human Resources Institute, and an Associate of the Institute of Management Consultants.

Other current directorships

OzzyConnect Limited, Resimac Limited & Sabina Corporation Limited

Former directorships in last 3 years

None

Special responsibilities

None

Interest in Shares & Options

400,000 ordinary shares in Vietnam Emerging Capital Limited and options to acquire a further 200,000 ordinary shares

The above named directors held office during and since the end of the financial year unless otherwise indicated.

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Directors' Report – 30 June 2009 (continued)

Information on Directors (Continued):

Company Secretary

Robert Edward Lees was appointed Company Secretary on 16 February 2007. He holds a Bachelor of Business (Accounting) degree from UTS and a Graduate Diploma in Corporate Governance. He is an Associate of the Institute of Chartered Accountants in Australia and the Chartered Secretaries of Australia. He has served as a Company Secretary on a number of ASX listed entities since 1998.

Meetings of Directors

The Directors attendances at Directors' meetings held during the year were:

	Number Attended	Number Held*
Jack Tan	5	5
Lawrence Nguyen	5	5
Minh Hai Nguyen	5	5
James Huey	2	2

* Reflects the maximum number of meetings each director was eligible to attend.

Indemnifying Officers or Auditors

During or since the end of the financial year, the Company has not, in respect of any person who is or has been an officer or auditor of the company:

- Indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, other than costs and expenses of successfully defending legal proceedings; or
- Paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Non-Audit Services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's experience and experience with the company are important.

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

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Directors' Report – 30 June 2009 (continued)

Non-Audit Services (continued)

The directors are satisfied that the provision of non-audit services by the external auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the board of directors to ensure they do not impact the integrity and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110: Code of Ethics for Professional Accountants set by the Accountants Professional and ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

During the year the following fees were paid or payable for services provided by the auditor (Hall Chadwick) of the entity:

	Entity	
	2009	2008
	\$	\$
Other services – taxation	–	10,000
Independent expert report	–	15,200
Independent accountants report	–	10,000
	–	35,200

Auditor Independence Declaration

Auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 12.

Directors' Report – 30 June 2009 (continued)

Remuneration Report

This remuneration report is set out under the following main headings

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information

A Principles used to determine the nature and amount of remuneration

The Board of Directors is responsible for determining and reviewing director's compensation and reviewing the Managing Director's recommendations on the remuneration of key management personnel.

The current maximum amount of Non-executive fees approved by shareholders is fixed at \$250,000 per annum. No retirement or other long term benefits are provided to any director or the company secretary other than superannuation to those directors who are also employees at the rate of nine percent. The Non-executive Directors can claim reimbursement of out-of-pocket expenses incurred on behalf of VECL and time spent on specific issues.

No remuneration paid to directors or the Company Secretary is results based.

VECL does not pay its Company Secretary a fixed remuneration. The Company Secretary is paid for all his time on an hourly basis.

No retirement or other long term benefits are provided to any director or the company secretary.

B Details of remuneration

Information on directors' benefits is set out in Note 14 – Key management personnel disclosures. The entity has not granted options to Directors or Officers during the financial year. No employees were granted options as part of their remuneration.

Directors and other key management personnel

The following persons were directors of Vietnam Emerging Capital Limited during the financial year:

(i) Chairman & executive director

Jack Tan

(ii) Executive directors

Lawrence Nguyen

ii) Non-Executive director

Minh Hai Nguyen

James Huey (retired 14 November 2008)

The following persons also had authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, during the financial year:

Name	Position
Robert Lees	Company Secretary

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Directors' Report – 30 June 2009 (continued)

Remuneration Report

B Details of remuneration (continued)

The following table of benefits and payments details, in respect to the financial year, the component of remuneration for each member of the key management personnel of the Company and other executives of the Company.

2009	Short-term employee benefits			Post-employment benefits	Long-term benefits		Share-based payment	
Name	Cash salary & Fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Long service leave \$	Termination benefits \$	Shares & options \$	Total \$
<i>Non-executive Directors</i> Minh Nguyen	9,000	–	–	–	–	–	–	9,000
James Huey <i>From 16 Oct 2007 to 14 Nov 2008</i>	9,000	–	–	–	–	–	–	9,000
<i>Executive directors</i> Jack Tan <i>Chairman</i>	15,000	–	–	–	–	–	–	15,000
Lawrence Nguyen <i>Managing director</i>	21,000	–	–	–	–	–	–	21,000
Robert Lees <i>Company Secretary/CFO</i>	49,341	–	–	–	–	–	–	49,341
Total key management personnel compensation	103,341	–	–	–	–	–	–	103,341

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Directors' Report – 30 June 2009 (continued)

Remuneration Report (continued)

B Details of remuneration (continued)

2008	Short-term employee benefits			Post-employment benefits	Long-term benefits		Share-based payment	
Name	Cash salary & Fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Long service leave \$	Termination benefits \$	Shares & options \$	Total \$
<i>Non-executive Directors</i>								
Minh Nguyen	36,000	–	–	–	–	–	19,956	55,956
James Huey	24,000	–	–	–	–	–	831	24,831
<i>Executive directors</i>								
Jack Tan <i>Chairman</i>	60,000	–	–	–	–	–	19,956	79,956
Lawrence Nguyen <i>Managing director</i>	84,000	–	–	–	–	–	19,956	103,956
Robert Lees <i>Company Secretary</i>	35,911	–	–	–	–	–	–	35,911
Total key management personnel compensation	239,911	–	–	–	–	–	60,699	300,610

C. Service agreements

On appointment to the Board, all new non-executive directors enter into a service agreement with the company in the form of a letter of appointment. This letter summarises the appointment terms, director's duties, obligations and remuneration.

Employment contracts with executives nominated below may be terminated by the company twelve months notice, subject to termination payments as detailed below. The Directors have suspended indefinitely Directors Fees and Directors remuneration due to the current stock market conditions and the difficulty in raising capital to pursue the Companies investment objectives

Jack Tan – Chairman & executive Director

- Term of agreement – from 30 November 2007 for an unspecified period with 12 months notice of termination or immediate termination in the event of gross misconduct.
- Base remuneration for the year ended 30 June 2009 of \$60,000 (pro-rata) plus 9% superannuation with at least 2 days per week devoted to company business. Entitled to pro-rata annual & sick leave. Jack Tan has from October 2008 discontinued his remuneration and as a consequence received total remuneration of \$15,000 in the year ended 30 June 2009

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Directors' Report – 30 June 2009 (continued)

Remuneration Report (continued)

C Service agreements (continued)

Lawrence Nguyen – *Managing Director (from 16 February 2007)*

- Term of agreement – from 30 November 2007 for an unspecified period with 12 months notice of termination or immediate termination in the event of gross misconduct.
- Base remuneration for the year ended 30 June 2008 of \$84,000 (pro-rata) plus 9% superannuation with at least 3 days per week devoted to company business. Entitled to pro-rata annual & sick leave. Lawrence Nguyen has from October 2008 discontinued his remuneration and as a consequence received total remuneration of \$21,000 in the year ended 30 June 2009

D Share-based Compensation

Directors Share Options

No Options were issued during the year and after year end to the date of this report by Vietnam Emerging Capital Limited to a director or any of the most highly remunerated officers as part of their remuneration.

E Additional information

No cash bonuses, loans or other remuneration has been paid to Key Management Personnel.

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of directors.

On behalf of the Directors.



Director
Sydney 30 September 2009

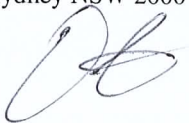
VIETNAM EMERGING CAPITAL LIMITED
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AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF VIETNAM EMERGING CAPITAL LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2009 there have been:

- i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Hall Chadwick
Level 29, 31 Market Street
Sydney NSW 2000



DREW TOWNSEND
Partner

Date: 30 September 2009

Sydney
Level 29
St Martins Tower
31 Market Street
Sydney NSW 2000

GPO Box 3555
Sydney NSW 2001
or
DX 1451 Sydney

Telephone: (02) 9263 2600
Facsimile: (02) 9263 2800
Email: sydney@hallchadwick.com.au

Parramatta
Telephone: (02) 9687 2100
Facsimile: (02) 9687 2900

Penrith
Telephone: (02) 4721 8144
Facsimile: (02) 4721 8155

Melbourne
Telephone: (03) 8678 1600
Facsimile: (03) 8678 1699

Partners
Drew Townsend
David Kenney
Richard Albarran
Gino Malacco
Paul Leroy
Steven Gladman
Brent Kijurina
Blair Pleash
David Ross
Graham Webb
Domenic Calabretta

Associates
Lyle Vallance
Bill Petrovski
Sally Saad

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INCOME STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2009**

	Note	2009 \$	2008 \$	
Revenue	4	56,170	41,915	
Other Income	4	97,200	-	
Accounting & Audit		(46,500)	(12,538)	
Advertising & marketing		(1,793)	(129,466)	
Compliance, listing & legal		(103,829)	(121,823)	
Depreciation	5(a)	(1,881)	(325)	
Directors fees		(54,000)	(271,500)	
Employee benefit expenses		(25,926)	(10,934)	
Unrealised foreign exchange loss		(10,896)	(24,655)	
Impairment	5(b)	-	(129,596)	
Office rental expenses		(20,437)	(11,331)	
Overseas travel & accommodation costs		(77,534)	(132,390)	
Share based expenses		-	(94,205)	
Other expenses		-	(29,849)	
(Loss) before income tax		<hr/> (189,426)	<hr/> (926,697)	
Income tax expense	6	<hr/> -	<hr/> -	-
(Loss) attributable to members of the company		<hr/> (189,426)	<hr/> (926,697)	
		<hr/> <hr/>	<hr/> <hr/>	
Earnings per share				
Basic and Diluted Earnings Per Share	19	(1.19)	(7.01)	

The Accompanying Notes Form Part Of These Financial Statements.

Vietnam Emerging Capital Limited

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BALANCE SHEETS **AS AT 30 JUNE 2009**

	Note	2009 \$	2008 \$
ASSETS			
Current Assets			
Cash & cash equivalents	7	262,060	642,602
Other receivables	8	8,263	35,975
Financial assets	9	201,563	92,028
Other assets		3,635	1,000
Total Current Assets		<u>475,521</u>	<u>771,605</u>
Non-Current Assets			
Investments Accounted for using the Equity Method	10	140,609	-
Plant & Equipment	11	7,432	9,313
Total Non Current Assets		<u>148,041</u>	<u>9,313</u>
Total Assets		<u>623,562</u>	<u>780,917</u>
Current Liabilities			
Trade & other payables	12	32,071	-
Total Current Liabilities		<u>32,071</u>	<u>-</u>
Total Liabilities		<u>32,071</u>	<u>-</u>
Net Assets		<u>591,491</u>	<u>780,917</u>
EQUITY			
Contributed equity	13	1,628,148	1,628,148
Reserves	14	79,206	79,206
Accumulated losses		<u>(1,115,863)</u>	<u>(926,437)</u>
TOTAL EQUITY		<u>591,491</u>	<u>780,917</u>

The Accompanying Notes Form Part Of These Financial Statements.

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STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

	Issued capital \$	Accumulated losses \$	Other reserves \$	Total \$
As at 1 July 2007	300,005	260	-	300,265
(Loss) for the year	-	(926,697)	-	(926,697)
Issue of share capital	1,512,108	-	-	1,512,108
Expenses of share issue	(183,965)	-	-	(183,965)
Option reserve	-	-	79,206	79,206
As at 30 June 2008	1,628,148	(926,437)	79,206	780,917
(Loss) for the year	-	(189,426)	-	(189,426)
As at 30 June 2009	1,628,148	(1,115,863)	79,206	591,491

The Accompanying Notes Form Part Of These Financial Statements.

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CASH FLOW STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2009**

	Notes	2009 \$	2008 \$
<u>Cash Flows From Operating Activities</u>			
Payments to suppliers and employees		(247,853)	(780,288)
Dividends received		5,442	563
Interest received		32,181	40,475
Net cash (used in) operating activities	7(b)	<u>(210,230)</u>	<u>(739,250)</u>
<u>Cash Flows From Investing Activities</u>			
Proceeds from sale of equity instruments		46,846	-
Payments for the purchase of equity instruments		(131,347)	(182,012)
Payments to joint venture		(85,811)	(54,798)
Purchase of Plant & equipment		-	(9,638)
Net cash (used in) investing activities		<u>(170,312)</u>	<u>(246,448)</u>
<u>Cash Flows From Financing Activities</u>			
Proceeds from issue of shares		-	1,328,143
Net cash provided by financing activities		<u>-</u>	<u>1,328,143</u>
Net / (decrease) increase in cash held		(380,542)	342,445
Cash at beginning of financial year		642,602	300,157
Exchange rate adjustment		-	-
Cash at end of financial year	7(a)	<u><u>262,060</u></u>	<u><u>642,602</u></u>

The Accompanying Notes Form Part Of These Financial Statements.

Vietnam Emerging Capital Limited

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NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2009**

Note 1 – Statement of significant accounting policies

Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accrual basis and is based on historical cost, where applicable, by the measurement of fair value of selected non-current assets, financial assets and financial liabilities.

(a) Going Concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal trading activities and realisation of assets and settlement of liabilities in the normal course of business.

The company has made an operating loss of \$189,426 during the year ended 30 June 2009.

The directors nevertheless believe that it is appropriate to prepare the financial report on a going concern basis as one director has guaranteed to provide continued financial support and in the event that further working capital is required, the directors believe they can secure further equity-raising. As part of cost cutting measures the directors have waived all director's fees from October 2008. The going concern basis used in the preparation of the financial report may not be appropriate if the directors do not provide their continuous financial support, the equity raising is not successful, and the business does not generate sufficient positive cash flows in the future. In this event, the company may not be able to realise the full value of its assets and extinguish its liabilities, in the normal course of business at the amount stated in the financial report.

The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts or classification of liabilities that might be necessary should the entity not be able to continue as a going concern.

(b) Revenue Recognition

Revenue from the rendering of a service is recognised upon delivery of the service to the customer.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

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NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2009**

Note 1 – Statement of significant accounting policies (continued)

(c) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(d) Foreign Currency Transactions and Balances

Foreign currency transactions during the period are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable at balance date are converted at the rates of exchange ruling at that date. The gains or losses from conversion of short-term assets and liabilities, whether realised or unrealised, are included in the result before income tax as they arise.

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NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2009**

Note 1 – Statement of significant accounting policies (continued)

(e) Receivables

Trade receivables are recognised when the risks and rewards of ownership of the underlying sales transactions have passed to customers. This event usually occurs when services are provided to customers. Trade receivables are recorded at nominal amounts. Trade receivables are usually settled within 30 days. Collectability of overdue accounts is assessed on an ongoing basis. Specific provision is made for all doubtful accounts.

(f) Depreciation of Plant and Equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets in the periods are:

Class Of Fixed Asset	Depreciation Rate
Plant & Equipment	5 - 25%

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

(g) Financial instruments

Initial Recognition and Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

i. Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

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NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2009**

Note 1 – Statement of significant accounting policies (continued)

(g) Financial instruments (continued)

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

iii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v. Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(h) Trade and Other Payables

These amounts represent unpaid liabilities for goods received by and services provided to the Entity prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually settled within 30 days.

(i) Impairment of Assets

At each reporting date, the Entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the income statement.

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NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2009**

Note 1 – Statement of significant accounting policies (continued)

(j) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

(k) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. In the balance sheet, trade receivables and payables are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(l) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(m) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing the loss after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(n) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, associated with the acquisition of a business, are included as part of the purchase consideration.

(o) Critical Accounting Estimates & Judgements

Estimates and judgements are continually evaluated and are based on historical knowledge and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Key estimates

(i) Impairment

The entity assesses impairment at each reporting date by evaluating conditions and specific to the entity that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

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NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2009**

Note 1 – Statement of significant accounting policies (continued)

(p) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below.

- i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments.

The Entity has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

- ii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Entity intends to apply the revised standard from 1 July 2009.

- iii) AASB 2008-1 Amendments to AASB 2 Share-based Payments Vesting Conditions and Cancellations

The definition of vesting conditions has changed and the accounting treatment clarified for cancellations to share-based payment arrangements by the counterparty. This is to ensure that conditions other than performance conditions do not result in a 'true up' of the share-based payment expense and are treated in a manner similar to market conditions. This amendment applies to periods commencing on or after 1 January 2009.

To date the entity has not issued any shares or options to employees that include non-vesting conditions and as such there will be no impact on the financial statements when this revised standard is adopted for the first time.

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NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2009**

Note 2 - Financial Risk Management

The entity activities expose it to a variety of financial risks; market risk, credit risk, liquidity risk and cash flow interest rate risk. The entity overall risk management program focuses on managing these risks and implementing and monitoring of controls around the cash management function. The entity principal financial instruments consist of cash and cash equivalents and shares in listed Vietnamese Companies.

The entity management of treasury activities is centralised and governed by policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as identifying risk exposure, analysing and deciding upon strategies and performance measurement.

The entity held the following financial instruments

	2009	2008
	\$	\$
Financial assets		
Cash & cash equivalents	262,060	643,602
Financial assets at fair value through profit or loss	201,563	92,028

(a) Interest rate risk

The entity cash-flow interest rate risk primarily arises from cash at bank and deposits subject to market bank rates. Generally, no interest is receivable or payable on the entity trade and other receivables or payables.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash reserves to meet the ongoing operational requirements of the business. It is the entity policy to maintain sufficient funds in cash and cash equivalents. Furthermore, the entity monitors its cash requirements and raises equity funding as and when appropriate to meet such planned requirements.

(c) Foreign exchange risk

The entity operates internationally and is exposed to foreign exchange risk arising from various currency, primarily with respect to the US dollar and the Vietnamese Dong. The entity has material currency risk as some cash and the shares in listed Vietnamese Companies are held in Vietnamese Dong. The carrying amount of the commercial transactions and recognised financial assets and liabilities are all in Australian currency.

The carrying amounts of the entity's financial assets and liabilities are denominated in Australian dollars except as set out below:

	30 June 2009	30 June 2008
	\$	\$
Cash & cash equivalents	12,341	84,692
Financial assets at fair value through profit or loss	201,563	92,028

(d) Credit risk

The entity has treasury policies in place for deposit transactions for such transactions to be conducted with financial institutions with a minimum credit rating.

The credit risk on financial assets which have been recognised on the balance sheets is generally the carrying amount, net of any provisions. At balance date, cash and deposits were held with ANZ & Macquarie Cash Management Trust in Australia and by ANZ & SSI in Vietnam. For receivables refer to note 8.

The credit risk with respect to current and non-current receivables is in respect of its bankers.

(e) Price risk

The entity does not have any direct material market or commodity price risk relating to its financial assets or liabilities.

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NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2009**

Note 3 Segment Information

Vietnam Emerging Capital Limited operates solely within one business segment and one geographical segment, being investments in securities of listed and unlisted companies in Vietnam.

	2009 \$	2008 \$
<u>Note 4 – Revenue and other income</u>		
Revenue		
Dividends	5,442	563
Interest – other persons	32,181	41,352
Other revenue	18,547	-
	<u>56,170</u>	<u>41,915</u>
Other Income		
Unrealised net gains on financial assets at fair value through profit or loss		
• Held for trading	35,930	-
Reversal of impairment loss recognised in prior year profit or loss	54,798	-
Other Income	6,472	-
	<u>97,200</u>	<u>-</u>

Note 5 – Expenses

Loss before income tax from continuing operations includes the following specific expenses:

(a) Depreciation - Plant & Equipment	1,881	325
Total depreciation	<u>1,881</u>	<u>325</u>
(b) Significant items:		
Impairment of financial assets at fair value through profit or loss	<u>-</u>	<u>74,798</u>
Impairment of interest in Joint venture	<u>-</u>	<u>54,798</u>

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NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2009**

	2009 \$	2008 \$
<u>Note 6 – Income tax expense</u>		
a) Income tax expense		
Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>
b) Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss) before income tax expense	<u>(189,426)</u>	<u>(926,697)</u>
Tax at the Australian tax rate of 30% (2008 - 30%)	(56,828)	(278,009)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible depreciation, impairment & amortisation & other expenses	564	7,871
Benefits not brought to account in respect of temporary differences	(28,855)	97,683
- Benefits not raised in respect of tax losses	85,119	172,455
Income tax expense attributable to operating (loss) before income tax	<u>-</u>	<u>-</u>
c) Deferred tax assets not recognised		
Tax losses	258,074	172,955
Temporary differences	138,321	97,683
	<u>396,394</u>	<u>270,138</u>

The deferred tax assets have not been brought to account as utilisation of these losses is not probable. The income tax losses can only be recovered by the company deriving future assessable income, conditions for deductibility imposed by law being complied with and no changes in tax legislation adversely affecting the realisation of the benefit from the deductions.

The balance of franking credits available for the franking of dividends at 30 June 2009 was nil (2008: nil).

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NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2009**

	2009	2008
	\$	\$
<u>Note 7 – Current assets - Cash & Cash Equivalents</u>		
a) Cash at the end of the financial year as shown in the Cash Flow Statements is reconciled to the related items in the Balance Sheet as follows:		
Cash at Bank & in hand (i)	48,797	142,637
Deposits (ii)	193,263	499,965
Balance per Cash Flow Statements	<u>242,060</u>	<u>642,602</u>

(i) Cash interest rate range from 0.01% to 4.5% on the daily balance.

(ii) Deposits – daily variable interest rates averaging 6.49%

b) Reconciliation of cash flow from operations with net (loss) after income tax

Operating (loss) after Income Tax	(189,426)	(926,697)
Non-cash flows in net (loss)		
Depreciation	1,881	325
Impairment of financial assets	-	89,986
Unrealised gain on financial assets	(35,930)	-
Unrealised foreign exchange loss	10,896	-
Impairment of joint venture	-	54,798
Reversal of impairment loss	(54,798)	-
Non-cash share based payments	-	79,206
<i>Changes in assets and liabilities, net of effects from disposal of subsidiaries</i>		
(Increase)/decrease in trade receivables	27,712	(36,868)
(Increase) in prepayments	(2,636)	-
Increase/(decrease) in trade and term payables	32,071	-
Net cash (used in) operating activities	<u>(210,230)</u>	<u>(739,250)</u>

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NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2009**

	2009 \$	2008 \$
<u>Note 8 – Other receivables</u>		
Current Asset		
Other receivables	8,263	35,975
Total Other receivables	<u>8,263</u>	<u>35,975</u>
No interest is receivable in respect of Other receivables.		

Note 9 – Financial assets

Financial assets at fair value through profit or loss

Shares in listed Vietnamese companies	243,469	182,012
Impairment provision	<u>(41,906)</u>	<u>(89,984)</u>
	<u>201,563</u>	<u>92,028</u>

Shares held for trading are traded for the purpose of short-term profit taking.
Changes in fair value are included in the income statement.

Note 10 – Interests in Joint Venture Entities

Interest in Joint Venture Entity

Opening balance	-	-
Contributions made during the year	85,811	54,798
Impairment provision	-	(54,798)
Reversal of Impairment	<u>54,798</u>	<u>-</u>
	<u>140,609</u>	<u>-</u>

Vietnam Emerging Capital Limited holds a 40% interest in Lac Trung Development Investment Joint Stock Company ('LTDI'). The principle activity is the proposed construction of a 12 level office building at Quang Trung Software City, District 12, Ho Chi Minh City (approximately 15 minutes from Tan Son Nhat International Airport).

LTDI commissioned Savills Vietnam Ltd to provide a valuation report on the land for investment purposes that has supported the valuation at cost. The valuation provided is based on a discounted cash flow of future estimated rental earnings of the building development using market and non-market based assumptions. The valuation report is used to support the carrying value of the interest in the joint venture.

Note 11 – Plant & Equipment

Plant and Equipment	9,638	9,638
Less accumulated depreciation	<u>(2,206)</u>	<u>(325)</u>
	<u>7,432</u>	<u>9,313</u>
Movement in plant & equipment		
Written down value as at beginning of year	9,313	-
Additions – plant & equipment at cost	-	9,638
Depreciation – plant & equipment	<u>(1,881)</u>	<u>(325)</u>
Written down value as at end of year	<u>7,432</u>	<u>9,313</u>

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NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2009**

	2009 \$	2008 \$
<u>Note 12 – Trade and other payables</u>		
Trade payables	14,055	-
Sundry payables & accrued expenses	18,016	-
Total Trade and other payables	<u>32,071</u>	<u>-</u>

Note 13 - Contributed Equity

	2009 Shares	2008 Shares	2009 \$	2008 \$
(a) Share Capital				
Fully paid ordinary shares	<u>15,882,626</u>	<u>15,882,626</u>	<u>1,628,148</u>	<u>1,628,148</u>

(b) Date & Details of movements in ordinary share capital:		Number of Shares	Issue Price \$	\$
16 Feb 2007	Shares issued to initial subscribers	5	\$1.00	5
16 May 2007	Shares issued to subscribing director's	1,500,000	\$0.01	15,000
26 June 2007	Shares issued to subscribing director's	5,700,000	\$0.05	285,000
31 Oct 2007	Shares issued to investors	650,000	\$0.10	65,000
30 Nov 2007	Pre-IPO investors	5,487,121	\$0.15	823,068
19 March 2008	IPO subscribers to Prospectus	2,445,500	\$0.25	611,375
30 June 2008	Fair value of payment for services	100,000	\$0.15	15,000
				<u>1,814,613</u>
	Costs of Equity raising & IPO			<u>(186,465)</u>
	At 30 June 2008	<u>15,882,626</u>		<u>1,628,148</u>
	At 30 June 2009	<u>15,882,626</u>		<u>1,628,148</u>

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Share Options

Option holders do not participate in dividends or in proceeds on winding up of the company. Option holders can only vote on motions relating to directly to options.

At balance date, share options existed which if exercised would result in the issue of 17,818,557 (2008: 17,818,557) fully paid ordinary shares. The details of the options are as follows:

Grant date	Date of expiry	Exercise price	Number under option
31 Oct 2007	30 June 2010	\$0.25	325,000
30 Nov 2007	30 June 2010	\$0.25	2,773,444
14 December 2007	30 June 2010	\$0.25	14,370,113
30 June 2008	30 June 2010	\$0.25	350,000
			<u>17,818,557</u>

In each of the 2 option classes 1 option converts into 1 ordinary fully paid share in Vietnam Emerging Capital Limited.

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NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2009**

Note 13 - Contributed Equity (continued)

Capital management

The entity objectives for managing capital are to:

- Ensure their ability to operate as a going concern
- Maximise returns to stakeholders by maintaining an optimal debt/equity structure via the issuance/redemption of debt or equity as appropriate

Net Equity consists of:

- Issued capital
- Reserves
- Retained earnings

At this stage of corporate development debt is not considered appropriate.

	2009 \$	2008 \$
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Note 14: Reserves & Accumulated Losses

(a) Reserves

Share Option reserve	79,206	79,206
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Movements

Share Option reserve

Balance 1 July 2008	79,206	-
Fair value of Options issued to Directors	-	60,699
Fair value of options issued to contractor	-	18,507
Balance at 30 June 2009	79,206	79,206

(b) Accumulated Losses

Accumulated profits/(losses) at the beginning of the financial year

	(926,437)	260
Current year loss	(189,426)	(926,697)
	<u>(1,115,863)</u>	<u>(926,437)</u>

The option reserve records items recognised as expenses on valuation of share options.

Note 15 – Key management personnel disclosures

(a) Key management personnel compensation

	2009 \$	2008 \$
Short-term employee benefits	103,341	239,911
Post-employment benefits	-	-
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	60,699
	<u>103,341</u>	<u>300,610</u>

The company has transferred the detailed remuneration disclosures to the director's report. The relevant information can be found in sections A-E of the remuneration report on pages 8 to 11.

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NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2009**

Note 15 – Key management personnel disclosures (continued)

Option holdings – 2009

The number of options in the company held during the financial year by each Director of Vietnam Emerging Capital Limited and other key management personnel of the entity, including their personally related parties are set out below:

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes	Balance at the end of the year	Vested & exercisable at the end of the year
Directors						
Jack Tan	4,723,371	-	-	-	4,723,371	4,723,371
Lawrence Nguyen	4,723,371	-	-	-	4,723,371	4,723,371
Minh Hai Nguyen	4,723,371	-	-	-	4,723,371	4,723,371
James Huey	200,000	-	-	-	200,000	200,000

Other key management personnel of the Entity

Robert Lees	150,000	-	-	-	150,000	150,000
Total	14,520,113				14,520,113	14,520,113

Option holdings - 2008

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes	Balance at the end of the year	Vested & exercisable at the end of the year
Directors of Vietnam Emerging Capital Limited						
Jack Tan	-	4,723,371	-	-	4,723,371	4,723,371
Lawrence Nguyen	-	4,723,371	-	-	4,723,371	4,723,371
Minh Hai Nguyen	-	4,723,371	-	-	4,723,371	4,723,371
James Huey		200,000			200,000	200,000

Other key management personnel of the Entity

Robert Lees	-	-	-	150,000	150,000	150,000
Total		14,370,113		150,000	14,520,113	14,520,113

No Directors, executives or employees are participants in an employee share scheme.

The number of shares in the company held during the financial year by each Director of Vietnam Emerging Capital Limited and other key management personnel of the entity, including their personally related parties are set out below:

Shareholdings - 2009

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year	Held indirectly
Directors – Ordinary Shares					
Jack Tan	1,082,744	-	-	1,082,744	1
Lawrence Nguyen	2,264,744	-	-	2,246,744	1,746,744
Minh Hai Nguyen	2,246,744	-	-	2,246,744	950,001
James Huey	-	-	400,000	400,000	-

Executives – Ordinary Shares

Robert Lees	300,000	-	-	300,000	300,000
Total	5,740,231		400,000	6,140,231	2,996,744

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NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2009**

Note 15 – Key management personnel disclosures (continued)

Shareholdings - 2008

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year	Held indirectly
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Directors – Ordinary Shares

Jack Tan	946,744	-	-	946,744	1
Lawrence Nguyen	2,246,744	-	-	2,246,744	1,746,744
Minh Hai Nguyen	2,246,744	-	-	2,246,744	950,001
James Huey	-	-	400,000	400,000	-

Executives – Ordinary Shares

Robert Lees	-	-	300,000	300,000	300,000
Total	5,440,231		700,000	6,140,231	2,996,744

Note 16 – Remuneration of Auditors

During the year the following fees were paid or payable for services provided by the auditor of the entity its related practices and non-related audit firms.

	2009 \$	2008 \$
(a) Assurance services		
<i>Audit services</i>		
Hall Chadwick		
Audit and review of financial reports and other audit work under the Corporations Act 2001	<u>36,500</u>	<u>12,500</u>
(b) Taxation services		
Hall Chadwick		
Tax compliance services, including review of company income tax returns	<u>-</u>	<u>10,000</u>
(c) Other services		
Hall Chadwick		
Preparation of an Independent Accountants Report relating to IPO Prospectus	<u>-</u>	<u>25,200</u>
	<u>36,500</u>	<u>47,700</u>

Note 17 – Commitments

A further VND 6 Billion is payable as contributed equity of the Lac Trung Investment and Development Joint Stock Co Ltd. which must be paid prior to construction commencing in the third quarter of 2010. At 30 June 2009 the value of this contribution is \$412,612.

Note 18 – Contingencies

Contingent Liabilities

There are no contingent liabilities at the end of the financial year.

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NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2009**

Note 19 - Events after the balance sheet date

There have been no subsequent events that would have a material impact on the financial report for the year ended 30 June 2009.

Note 20 – Earnings Per Share

	2009 Cents	2008 Cents
Basic and diluted earnings per share		
(Loss) attributable to the ordinary equity holders of the company	(1.19)	(7.01)
The following reflects the income and share data used in the calculation of basic and diluted earnings per share:		
Losses used in calculating basic & diluted earnings per share	<u>(189,426)</u>	<u>(926,697)</u>
Weighted average number of shares used as the denominator	Number of Shares 2009	Number of Shares 2008
Weighted average number of ordinary and partly paid shares used in the calculation of basic & diluted earnings per share	<u>15,882,626</u>	<u>13,224,596</u>
Number of Options on issue convertible at one to one	<u>17,818,557</u>	<u>17,059,097</u>
Options are considered non-dilutive		

Vietnam Emerging Capital Limited

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NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2009**

Note 21 – Share based payments

Total expenses arising from share based payment transactions recognised during the Year

	2009	2008
	\$	\$
(a) Options issued to directors Fair value of Options issued to Directors of VECL Approved by shareholders 14 December 2007	-	60,699
(b) Payments to IPO service provider Fair value of Shares issued to suppliers as payment for services in the IPO at \$0.15 per share	-	15,000
(c) Options issued to IPO service provider Fair value of Options issued to suppliers as payment for services in the IPO	-	18,507

The company estimated the value of the options issued to a Director related party using the Black-Scholes Model options valuation formula.

The data relied upon in applying the Black-Scholes Model was:

	(a)	(c)
• The exercise price of the Options being;	25 cents	25 cents
• Exercise date being on or before;	30 June 2010	30 June 2010
• The assumed valuation of the Company's share price of;	10 to 15 cents	25 cents
• A volatility measure of 25%	25%	25%
• A risk-free interest rate of 6.37%; and	6.37%	6.37%
• A dividend yield of.	0%	0%

Based on this information the company adopted an indicative value of 0.42 cents each 5.29 cents each

The options are fully vested on issue.

Details of options outstanding issued to Directors during the financial year are as follows:

2009									
Grant date	Exercise date	Exercise price	Balance at beginning of year	Granted during the year	Forfeited during the year	Exercised during the year	Expired/ transferred during the year	Balance at end of year	Exercisable at end of year
14 Dec 2007	30 June 2010	\$0.25	14,370,113	-	-	-		14,370,113	14,370,113
2008									
Grant date	Exercise date	Exercise price	Balance at beginning of year	Granted during the year	Forfeited during the year	Exercised during the year	Expired/ transferred during the year	Balance at end of year	Exercisable at end of year
14 Dec 2007	30 June 2010	\$0.25	-	14,370,113	-	-		14,370,113	14,370,113

The weighted average exercise price of options issued to directors outstanding at 30 June 2009 is \$0.25. To date none have been exercised

Note 22 – Company Details

The address of the registered office which is also the principal place of business is Level 28, 31 Market Street Sydney 2000.

Vietnam Emerging Capital Limited

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DIRECTORS' DECLARATION

The Directors of the company declare that:

1. The Financial Statements, as set out on pages 13 to 33, are in accordance with the Corporations Act 2001 and:
 - a) Comply with Accounting Standards; and
 - b) Give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the company.
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - a) the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
 - b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c) the financial statements and notes for the financial year give a true and fair view;
3. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Director

Sydney

Dated this 30 September 2009

VIETNAM EMERGING CAPITAL LIMITED
ABN 69 123 981 537
AUDITOR'S REPORT TO
THE MEMBERS OF VIETNAM EMERGING CAPITAL LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Vietnam Emerging Capital Limited (the company), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the company at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Vietnam Emerging Capital Limited on 30 September 2009, would be in the same terms if provided to the directors as at the date of this auditor's report.

Sydney
Level 29
St Martins Tower
31 Market Street
Sydney NSW 2000

GPO Box 3555
Sydney NSW 2001
or
DX 1451 Sydney

Telephone: (02) 9263 2600
Facsimile: (02) 9263 2800
Email: sydney@
hallchadwick.com.au

Parramatta
Telephone: (02) 9687 2100
Facsimile: (02) 9687 2900

Penrith
Telephone: (02) 4721 8144
Facsimile: (02) 4721 8155

Melbourne
Telephone: (03) 8678 1600
Facsimile: (03) 8678 1699

Partners
Drew Townsend
David Kenney
Richard Albarran
Gino Malacco
Paul Leroy
Steven Gladman
Brent Kijurina
Blair Pleash
David Ross
Graham Webb
Domenic Calabretta

Associates
Lyle Vallance
Bill Petrovski
Sally Saad

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VIETNAM EMERGING CAPITAL LIMITED
ABN 69 123 981 537
AUDITOR'S REPORT TO
THE MEMBERS OF VIETNAM EMERGING CAPITAL LIMITED

Auditor's Opinion

In our opinion:

- a. the financial report of Vietnam Emerging Capital Limited and is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the company's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b. the financial report also complies with International financial Reporting Standards as disclosed in Note 1; and

Without qualification to the opinion expressed above, attention is drawn to the following matters:

Material Uncertainty Regarding Continuation as a Going Concern

We draw attention to Note 1(a) in the financial report, which indicates that the company incurred a net loss of \$189,426 during the year ended 30 June 2009. Note 1(a) also states the directors' reasons for the financial report being prepared on a going concern basis. Should the company not achieve the matters as set forth in Note 1(a) there is significant uncertainty about the company's ability to continue as a going concern.

Inherent Uncertainty Regarding the Carrying Value of Interest in Joint Venture

We draw attention to Note 11 in the financial report. The company has assessed the carrying value of its interest in the joint venture with \$140,609 based on value in use calculations, which indicate that the balance of \$140,609 is recoverable. If the cash flow projections used in the value in use calculations are not met, the carrying value of interest in the joint venture may be impaired.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 11 of the report of the directors for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Vietnam Emerging Capital Limited for the year ended 30 June 2009, complies with Section 300A of the Corporations Act 2001.

Hall Chadwick
Level 29, St Martins Tower
31 Market Street
Sydney NSW 2001



DREW TOWNSEND
Partner
Date: 30 September 2009

Vietnam Emerging Capital Limited

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Corporate governance

The Board of Directors of the Company will be responsible for the corporate governance of the Company including its strategic development.

The Company's corporate governance principles and policies are structured as follows:

<i>Principle 1</i>	<i>Lay solid foundations for management and oversight</i>
<i>Principle 2</i>	<i>Structure the Board to add value</i>
<i>Principle 3</i>	<i>Promote ethical and responsible decision making</i>
<i>Principle 4</i>	<i>Safeguard integrity in financial reporting</i>
<i>Principle 5</i>	<i>Make timely and balanced disclosure</i>
<i>Principle 6</i>	<i>Respect the rights of Shareholders</i>
<i>Principle 7</i>	<i>Recognise and manage risk</i>
<i>Principle 8</i>	<i>Remunerate fairly and responsibly</i>

(a) **Board responsibilities**

The Board will be accountable to the Shareholders for the performance of the Company and will have overall responsibility for its operations. Day to day management of the Company's affairs, and the implementation of the corporate strategy and policy initiatives, will be formally delegated by the Board to the CEO.

The key responsibilities of the Board will include:

- approving the strategic direction and related objectives of the Company and monitoring management performance in the achievement of these objectives;
- adopting budgets and monitoring the financial performance of the Company;
- reviewing the performance of the CEO;
- overseeing the establishment and maintenance of adequate internal controls and effective monitoring systems;
- ensuring all major business risks are identified and effectively managed; and
- ensuring that the Company meets its legal and statutory obligations.

For the purposes of the proper performance of their duties, the Directors are entitled to seek independent professional advice at the Company's expense, unless the Board determines otherwise. The Board schedules meetings on a regular basis and other meetings as and when required.

(b) **Size and Composition of the Board**

The Directors consider the size and composition of the Board are appropriate given the size and status of the Company. However the composition of the Board will be subject to review in a number of ways.

- The Constitution provides that at every annual general meeting, one third of the Directors shall retire from office but may stand for re-election.
- Board composition will be also reviewed periodically either when a vacancy arises or if it is considered the Board would benefit from the services of a new director, given the existing mix of skills and experience of the Board, which should match the strategic demands of the Company. Once it has been agreed that a new director is to be appointed, a search will be undertaken, using the services of external consultants, if considered necessary. Nominations would then be received and reviewed by the Board.

Corporate governance (continued)

(c) **Ethics and Independence**

The Board recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity. The Company intends to maintain a reputation for integrity. The Company's officers and employees are required to act in accordance with the law and with the highest ethical standards.

The Board is conscious of the need for independence and ensures that where a conflict of interest may arise, the relevant Director(s) leave the meeting to ensure a full and frank discussion of the matter(s) under consideration by the rest of the Board. Those Directors who have interests in specific transactions or potential transactions do not receive Board papers related to those transactions or potential transactions, do not participate in any part of a Directors' meeting which considers those transactions or potential transactions, are not involved in the decision making process in respect of those transactions or potential transactions, and are asked not to discuss those transactions or potential transactions with other Directors.

Directors of the Company are considered to be independent when they are free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgment.

The Company considers industry experience and specific expertise to be important attributes of its Board members and therefore believes that the composition of the Board is appropriate given the size and development of the Company at the present time.

(d) **Board Committees**

It is the role of the Board to oversee the management of the Company and it may establish appropriate committees to assist in this role. The composition of the committees shall be as follows:

- the majority of the members of each Committee of the Board will be non-executive Directors;
- each committee will have a charter approved by the Board; and
- each committee will maintain minutes of each meeting of the committee, which will be circulated to all Directors.

Due to the current size of the Board, (three directors) the company has not established any committee's. The Board takes ultimate responsibility for the operations of the Company including remuneration of Directors and executives and nominations to the Board as well as risk and audit compliance.

Audit, Risk and Compliance Committee

The audit, risk and compliance committee, if established, would comprise of non-executive and independent directors, who are independent of senior management and operating executives of the Company, and free from any relationships which might, in the opinion of the Board, be construed as a conflict of interest. The Board will annually confirm the membership of the committee.

The committee's primary responsibilities are to:

- oversee the existence and maintenance of internal controls and accounting systems;
- oversee the management of risk within the Company;
- oversee the financial reporting process;
- review the annual and half-year financial reports and recommend them for approval by the Board of Directors;
- nominate external auditors;
- review the performance of the external auditors and existing audit arrangements; and
- ensure compliance with laws, regulations and other statutory or professional requirements, and the Company's governance policies.

Vietnam Emerging Capital Limited

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Corporate governance (continued)

(e) **Shareholder Communication**

The Board strives to ensure that Shareholders are provided with sufficient information to assess the performance of the Company and its Directors and to make well-informed investment decisions.

Information is communicated to Shareholders through:

- annual and half-yearly financial reports and quarterly reports;
- annual and other general meetings convened for Shareholder review and approval of Board proposals;
- continuous disclosure of material changes to NSX for open access to the public; and
- the Company maintains a website where all NSX announcements, notices and financial reports are published as soon as possible after release to NSX.

The auditor is invited to attend the annual general meeting of Shareholders. The Chairman will permit Shareholders to ask questions about the conduct of the audit and the preparation and content of the audit report.

(f) **Identification and Management of Business Risk**

The Board has identified the significant areas of potential business and legal risk of the Company. The identification, monitoring and, where appropriate, the reduction of significant risk to the Company will be the responsibility of the CEO and the Board.

The Board reviews and monitors the parameters under which such risks will be managed. Management accounts will be prepared on a monthly basis, and reviewed with the CEO at subsequent Board meetings. Budgets are prepared and compared against actual results.

(g) **Remuneration**

The Chairman and the non-executive Directors are entitled to draw Directors fees and receive reimbursement of reasonable expenses for attendance at meetings. From October 2008 the Board has resolved not to pay Director's fees until further notice. The Company is required to disclose in its annual report details of remuneration to Directors. The maximum aggregate annual remuneration which may be paid to non-executive Directors is \$250,000. This amount cannot be increased without the approval of the Company's shareholders.

(h) **Securities Trading Disclosure**

The Company has a formal policy for dealing in the Company's securities by Directors, employees and contractors. This sets out their obligations regarding disclosure of dealing in the Company's securities.

The Constitution permits Directors to acquire securities in the Company, however Company policy prohibits Directors and senior management from dealing in the Company's securities at any time whilst in possession of price sensitive information and for 24 hours after:

- any major announcements;
- the release of the Company's annual financial results to NSX; and
- the annual general meeting.

Directors must advise the Chairman of the Board before buying or selling securities in the Company. All such transactions are reported to the Board. In accordance with the provisions of the Corporations Act 2001 and the Listing Rules, the Company advises NSX of any transaction conducted by Directors in the securities of the Company.

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NATIONAL STOCK EXCHANGE INFORMATION

The following additional information is required by the National Stock Exchange Limited in respect of listed public companies.

1. (a) Distribution of Ordinary Fully Paid Shareholder

The distribution of ordinary fully paid shareholders and their shareholdings at 24 September 2009 was as follows:

Range	Shareholders	Fully Paid Shares	%
1 – 1,000	0	0	0.00%
1,001 – 5,000	4	15,772	0.10%
5,001 – 10,000	66	581,040	3.66%
10,001 – 100,000	67	2,332,077	14.69%
100,001 – upwards	35	12,943,737	81.55%
Total	172	15,872,626	100.00%

(b) The number of ordinary fully paid shareholders holding less than marketable parcel is 1 with a total of 2,300 shares (0.015%)

(c) The names of substantial ordinary fully paid shareholders listed in the holding company's register as at 24 September 2009 are:

Shareholders Name	Number of Shares	%
Lawrence Nguyen Nominees Pty Ltd <Nguyen Investment A/C>	1,746,742	11.00%
Unilease Capital Sdn Bhd	1,300,000	8.19%
Hai Minh Nguyen	1,296,743	8.17%
Binh Thahn Hai Nguyen	950,001	5.99%
Jack Tian Hock Tan	946,743	5.96%

(d) Voting Rights

Issued shares are either ordinary fully paid shares or partly paid shares. Each shareholder is entitled to one vote on any matter put to a vote by show of hands at a meeting of shareholders. Each fully paid shareholder is entitled to one vote per share on any matter put to a poll at a meeting of shareholders. Partly Paid Shareholders are entitled to vote to the extent to which the Partly Paid Shares are paid up.

Vietnam Emerging Capital Limited

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NATIONAL STOCK EXCHANGE INFORMATION (continued)

2. Substantial Ordinary Fully Paid Shareholders

The top 20 ordinary fully paid shareholders and their shareholding at 24 September 2009 were as follows: –

	Name of Shareholder	Number of Shares	% of Issued Capital
1	Lawrence Nguyen Nominees Pty Ltd <L Nguyen Investment A/C>	1,746,742	11.00%
2	Unilease Capital Sdn Bhd	1,300,000	8.19%
3	Hai Minh Nguyen	1,296,743	8.17%
4	Binh Thanh Hai Nguyen	950,001	5.99%
5	Mr Jack Tian Hock Tan	946,743	5.96%
6	MF Custodian Ltd	650,000	4.10%
7	Mr Lawrence Nguyen	500,001	3.15%
8	Mrs Soon Gaik Khoo	474,166	2.99%
9	Mr Somchai Tongsumrith & Mrs Claire L Tongsumrith <Tongsumrith Family S/F A/C>	466,666	2.94%
10	Meng Soon Kow	459,774	2.90%
11	Mr Rodney James Huey	400,000	2.52%
12	Mr Daniel Green <Discretionary Investment A/C>	333,334	2.10%
13	Coysec Services Pty Ltd	300,000	1.89%
14	Khoo Cheng Lye	250,000	1.58%
15	Ms Beryl Bao Pham <BC Healthquest S/F A/C>	250,000	1.58%
16	Ack Australia Pty Ltd <Staff Super Fund A/C>	200,000	1.26%
17	Carnethy Evergreen Pty Ltd <Carnethy Evergreen Fund A/C>	200,000	1.26%
18	Mr Allen Ching-Lun Huang	200,000	1.26%
19	Mr David Stephens & Mrs Piroska Stephens <Stephens Family S/F A/C>	200,000	1.26%
20	Mr Mark Ivancic <Pyramid Foods Retirement A/C>	200,000	1.26%
	Total Twenty Largest Shareholders	11,324,170	71.34%
	Total Ordinary Shares on Issue at 25 September 2009	15,872,626	

4. Unquoted Equity Securities

a) Distribution of Unquoted Options – (\$0.25) exp 30 June 2010

The distribution of Unquoted Options (\$0.25) exp 30 June 2010 and their option holdings at 24 September 2009 was as follows: –

Range	Option holders	30 June 2010 Options	%
1 – 1,000	–	–	–
1,001 – 5,000	–	–	–
5,001 – 10,000	–	–	–
10,001 – 100,000	22	1,613,557	9.06%
100,001 – upwards	13	16,205,000	90.94%
Total	44	17,818,557	100.00%

Vietnam Emerging Capital Limited

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Pro-forma 5 Year Summary of Performance

		2005	2006	2007	2008	2009
Gross Revenue	\$'000	n/a	n/a	–	42	50
Net profit before tax	\$'000	n/a	n/a	–	(927)	(192)
Total assets	\$'000	n/a	n/a	300	781	621
Total liabilities	\$'000	n/a	n/a	nil	nil	32
Shareholders funds	\$'000	n/a	n/a	300	781	589
Earnings per share	Cents	n/a	n/a	(0.04)	(7.01)	(1.21)
Dividends per share	Cents	n/a	n/a	n/a	n/a	n/a
Net tangible assets per share	Cents	n/a	n/a	4.2	4.9	3.7
Price Earnings ratio	x	n/a	n/a	n/a	n/a	n/a